

1939

OIL AND GAS CONTROL

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The industry prepared and presented to the last legislature a most comprehensive draft for its approval. It passed both houses with a wide majority BUT "sometimes politics makes strange bed fellows," and the Governor did not sign those bills.

It is about time that we cut out playing with small loan legislation and sit down with practical operators to work out fair and equitable legislation. It is about time that the selfish interests are stopped from their clever way of trying to get through their 30% Monopoly Loan Act. This is their 6th time in California.

The true students of the needs of the necessitous borrower, those persons without personal interest in the finance business, those broadminded capable citizens who have looked into this proposition have one thing to say about it. They say "This legislation is just backwards in that it ties the hands of the legitimate loan company before the real loan sharks are put under control."

Now if the true proponents of this bill wanted to keep the cost down to the borrower and make available loans in all sizes to fit the needs of everyone, why do they want a license fee as high as \$900. per office per year? After all the borrower has to pay this expense.

It would be interesting to know why a number of our supposed public welfare agencies are sponsoring legislation drafted to favor the BIG WALL STREET LOAN OPERATORS. Where are these public welfare agencies and leagues getting all the money tell you about these bills? After all most of these agencies seldom have enough money to take care of their most urgent needs.

All of the arguments against Proposition No. 3 also apply to this Proposition. You should vote NO on 3 and 4 and write your Senator and Assemblyman telling him to quit trying to pull the wool over your eyes. Tell him here is an opportunity to render a real public service. Tell him to quit listening to the Big Wall Street Loan Operators.

VOTE NO PROPOSITIONS 3 and 4.

Respectfully Submitted,

M. M. MAY,
Los Angeles, Calif.

V. G. WISE,
San Francisco, Calif.

J. C. EARLE,
Los Angeles, Calif.

5 **OIL AND GAS CONTROL.** Referendum of Legislative Act. (Chapter 811, Statutes 1939.) Act creates Oil Conservation Commission empowered to limit and prorate production of crude petroleum oil and natural gas, adopt rules and regulations relating thereto and prescribe procedure in hearings and proceedings before Commission. Provides for court review. Defines and prohibits waste. Defines legal and illegal oil and oil products; when illegal requires same be impounded, sold and proceeds deposited in general fund. Prescribes penalties for violations. Imposes charges upon well operators and royalty owners, payable into oil conservation fund to be expended in enforcement of Act.

YES

NO

(For full text of measure, see page 40, Part II)

Arguments in Favor of Oil and Gas Control Referendum Measure

This oil and gas control act is a conservation measure to help secure a controlled supply of reasonably priced oil and gas for as long a period as possible, for national defense, and for the people. Its purpose is to stop reckless waste of these irreplaceable natural resources vital to general welfare.

The National Administration and the United States Navy, both alive to the necessities of national defense and conservation, have urged California's cooperation with their conservation efforts by enacting this law. President Roosevelt and Secretary of Interior Ickes strongly urged its passage by the Legislature.

Those opposing all government efforts to protect public interest, those seeking to profit by

excess and wasteful production of oil and gas, are opposing this Bill. They try to hide their true purpose by calling it another Sharkey bill, which it is not. The Sharkey bill was rightfully defeated because it located production control in the hands of industry itself. This proposed act places control where it belongs, in the hands of the people's representatives; a fundamental difference.

This act will guard the people's interests in California's oil and gas resources to a degree never before realized. Citizens of California can protect their own interests by voting "YES."

CULBERT L. OLSON,

Governor of the
State of California.

[Ten]

"The United States Navy's only concern is with the merits of this act, and whether it accomplishes the thing the Navy is most interested in—the conservation of oil. The Navy convinced the legislation will accomplish this, and it favors the act.

"The Navy is particularly interested in oil conservation for the reason California contains all the known oil deposits in the area west of the Rocky Mountains, and because this area is, in a military sense, practically isolated from the reservoirs of the east by these mountains, it can be readily understood the great petroleum deposits of California may well be the controlling factor in a successful campaign in the Pacific.

"Over thirty years ago when it was determined oil was to be the future source of power for our fighting ships the Navy realized a failing supply would destroy the mobility of a Fleet dependent on oil for fuel.

"This legislation through the power to prevent waste, appeals to the Navy to be in the true interests of conservation."

The foregoing statement is authorized by the Navy Department.

WINTWORTH H. OSGOOD,
Lieutenant Commander
U. S. Navy,
Inspector, Naval Petroleum
Reserve.

This oil conservation act was passed by the last legislature to guarantee to the people

1. Cheap gasoline;
2. Continued employment of oil workers;
3. Adequate supplies of oil for the Navy to defend our shores.

A few multimillionaire oil operators, greedy for excessive profits, falsely proclaim that this act will cause monopoly and higher gasoline prices. Several other great oil states have proved positively that laws of this kind have brought cheaper gasoline and protected the little oil man. Don't be misled by a few wolves parading before you in sheep's clothing. Support the Legislature, the Governor, and the United States Navy. Vote YES.

MAURICE ATKINSON,
Assemblyman, Seventieth District.

This Act helps the small independent service station.

WILLIS B. WYLIS,
Executive Secretary,
Retail Petroleum Dealers
Association.

Argument Against Oil and Gas Control Referendum Measure

Forced through the Legislature in its closing hours, with clocks stopped, and lobbyists of certain major oil companies working strenuously for its passage, this Act has the same purpose as the "Sharkey" Bill, overwhelmingly defeated by the people in 1932. It sets up, through a three man commission, artificial control of oil production with consequent higher prices to consumers. Legislators openly stated the Bill was being high pressured through without sufficient opportunity for intelligent discussion.

One State Senator, arguing for the passage of the Bill, stated its purpose was to increase prices. Monopolistic interests urge this Bill because sooner or later such commissions are dominated by large corporations with selfish purposes to serve.

Results of prorate laws are almost wholly undesirable. Whenever you curtail production you throw men out of work in that industry and allied industries, reducing payrolls and increasing unemployment and relief loads.

Not only will the workers in the oil industry suffer as a result of lay-offs and loss of jobs, but the resulting decrease of money in circulation will be felt by every businessman in the State.

Every consumer of oil products must expect to pay higher prices if this Bill is not defeated. This is the inevitable result of decreasing the supply of a commodity. Should we add to the insecurity of the low income groups, the aged, the unemployed by legalizing profiteering in gasoline and oil?

Property and home owners will find their taxes in oil producing areas will be increased. Taxes on oil properties are assessed on the basis of production and when this is curtailed, taxing agencies will be obliged to saddle this additional load on the already hard-hit taxpayer.

We favor true conservation and prevention of waste of our natural gas and oil resources. However, this Bill is not a conservation measure and is not necessary to prevent waste or conserve such resources. No oil is wasted in California; every barrel produced is put to beneficial use. Present laws require oil operators to conduct their operations without waste.

Efforts at legal control in other oil producing states have met with dismal failure. In August, 1939, all oil wells in production controlled states were shut down as a result of attempting to control supply and demand. Scandals, indictments, and the calling of militia to enforce these laws have been the experience in other oil

states. Do we want those conditions in California?

When the "Sharkey" Bill was voted on in 1932, the same erroneous arguments were made that unless that Bill were approved excess storage and production of oil would result in chaos and collapse of the oil industry. That Bill was defeated; chaos did not result. Less oil is in storage today by many millions of barrels than in 1932. The oil business is more prosperous in California than in any other oil state.

The interest of the consuming public, labor

and taxpayers will be best served by defeating this Bill.

Vote "NO".

RALPH C. DILLS,
Assemblyman, Sixty-ninth
Assembly District.

SETH MILLINGTON,
Assemblyman, Fourth
Assembly District.

J. FRANK BURKE.

OIL AND GAS CONTROL. Referendum of Legislative Act. (Chapter 811, Statutes 1939.) Act creates Oil Conservation Commission empowered to limit and prorate production of crude petroleum oil and natural gas, adopt rules and regulations relating thereto and prescribe procedure in hearings and proceedings before Commission. Provides for court review.

5 Defines and prohibits waste. Defines legal and illegal oil and oil products; when illegal requires same be impounded, sold and proceeds deposited in general fund. Prescribes penalties for violations. Imposes charges upon well operators and royalty owners, payable into oil conservation fund to be expended in enforcement of Act.

YES

NO

The Legislature of the State of California, in regular session in 1939, passed, and the Governor of the State of California, on the twenty-second day of July, 1939, approved the following act, and a petition bearing the signatures of a sufficient number of electors asking that the act be submitted to the electors for their approval or rejection, having been filed with the Secretary of State, in due time, the said act is hereby submitted on referendum.

(This proposed law does not expressly amend any existing law; therefore, the provisions thereof are printed in **BLACK-FACED TYPE** to indicate that they are **NEW**.)

PROPOSED LAW.

An act relating to the conservation, regulation and stabilization of the production and distribution of crude petroleum oil and natural gas and the products thereof, and in furtherance thereof, creating an oil and gas conservation and control commission; defining the powers and duties of such commission; authorizing it to prescribe rules, regulations and orders; providing penalties for the violation of the provisions of this act, and of the rules, regulations and orders of the commission; and levying a charge on the proceeds of oil and gas to pay the cost of the administration and enforcement of this act.

[Approved by Governor July 22, 1939.]

The people of the State of California do enact as follows:

Section 1. The conservation of crude petroleum oil and natural gas and the products thereof by the people of this State is essential to the general welfare. It is hereby declared to be the policy of the government of the State of California to conserve the oil and gas resources of the State, to regulate and stabilize the production and distribution of petroleum oil and natural gas and the products thereof, to prevent waste thereof and secure the benefits of said natural resources to the people of this and future generations. This act, to be known as the "California Oil and Gas Control Act of 1939," is adopted in keeping with said public policy.

[Forty]

Sec. 2. This act shall be known and may be cited as the "California Oil and Gas Control Act."

Sec. 3. There is hereby created an Oil Conservation Commission. Said commission shall be composed of the Director of Natural Resources, the Director of Public Works, and the Director of Finance.

The Director of Natural Resources shall be the chairman and administrative officer of said commission and shall receive in addition to his salary otherwise provided by law, compensation of four thousand dollars (\$4,000) per year, to be paid from funds collected for the enforcement of this act as hereinafter provided. The other members of the commission shall receive no additional compensation for the discharge of their duties under this act.

The commission shall maintain its principal office in the city of Los Angeles but may maintain one or more branch offices elsewhere.

Two members of the commission shall constitute a quorum for all purposes.

The commission shall carry out and enforce this act through the Director of Natural Resources. Subject to the laws regulating the State civil service, the chairman of the commission shall appoint and fix the compensation of such deputies, employees and agents as may be necessary to carry out the provisions hereof.

The commission shall adopt an official seal. The seal affixed to any paper signed by the administrative officer of the commission shall be prima facie evidence of the due execution thereof.

Any member of the commission, and any employee thereof, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this act or by any other law relating to the power and duties of said commission.

Sec. 4. The commission shall have, and it is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas in this State, and of the enforcement of all the provisions of this act.

and of any other law of this State relating to the conservation of oil or gas. All powers and jurisdiction now or hereafter conferred by law on the Division of Oil and Gas of the Department of Natural Resources are hereby vested in said commission; provided, that all civil service officers or employees shall retain their positions hereunder. It shall have jurisdiction and control of and over all persons or things necessary or proper to enforce effectively the provisions of this act.

Sec. 5. The commission shall prescribe its rules of order or procedure in hearings or other proceedings before it under this act. Any notice required to be given under this act or under any rule, regulation or order prescribed by the commission shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Los Angeles, California, and once in a newspaper of general circulation published in the county, or one of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of the State of California and shall be signed by at least a majority of the members of the commission or by the administrative officer of the commission, at the direction of the commission, and the seal of the commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the commission on its own motion or sought in a proceeding brought before the commission, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire State, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the commission or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the superior courts of this State. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the commission shall be entered in full by the administrative officer thereof in a book to be kept for such purpose by the commission, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the administrative officer of the commission under the seal of the commission, shall

be received in evidence in all courts of the State with the same effect as the original.

Sec. 6. The commission, or any member thereof, at the direction of the commission, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers, and records for its own investigations and inspections under the provisions of this act or in any proceeding before the commission. No person shall be excused from attending and testifying, or from producing books, papers and records before the commission, or from obedience to the subpoena of the said commission, whether such subpoena be signed or issued by one or more of the members of the said commission, in any hearing, investigation or proceeding held by or before the said commission or any member thereof, or in any cause or proceeding in any court by or against the said commission, relative to matters within the jurisdiction of said commission, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided, that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry, not pertinent to the commission's investigations and inspections herein provided for or to some question lawfully before such commission or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise before said commission, or in obedience to its subpoena, or in any cause or proceeding; provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

Sec. 7. In case of failure or refusal on the part of any person to comply with any subpoena issued by said commission or any member thereof, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any superior court in this State, or any judge thereof, on application of said commission, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the commission or any member thereof and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

Sec. 8. If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the

commission, shall wilfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall wilfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the commission, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the State penitentiary for not more than five years nor less than six months.

Sec. 9. The commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to exercise the powers and perform the duties and carry out the purposes of this act, whether or not indicated or specified in any section hereof.

Sec. 10. Included in the power given to the commission is the authority: to collect data, to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the making of reports, and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil and natural gas; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or any products thereof, or both such oil and products.

• Apart from any authority, express or implied, elsewhere given to or existing in the commission by virtue of this act or the statutes of this State, the commission is hereby authorized to make rules and regulations to fix the spacing of wells. It is provided, however, that the commission shall have no authority to fix a drilling unit in excess of forty acres as a basis for the development or operation of any pool capable of producing oil.

Sec. 10.5. (a) The production or handling of crude petroleum oil or natural gas, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

(b) As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

(1) "Underground waste" as those words are generally understood in the oil business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total

quantity of crude petroleum oil or natural gas ultimately recoverable from any pool.

(2) "Surface waste" as those words are generally understood in the oil business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas, crude petroleum oil or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil in excess of the reasonable market demand.

(3) The production of crude petroleum oil in this State in excess of the reasonable market demand for such crude petroleum oil as determined by the commission. Such excess production causes or results in waste which is prohibited by this act. The words "reasonable market demand," as used herein, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the State, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

Sec. 11. Whenever, to prevent waste, the commission limits the total amount of crude petroleum oil to be produced in this State, it shall allocate or distribute the allowable production among the fields of the State. Such allocation or distribution among the fields of the State shall be made on a reasonable basis, giving, if reasonable under all the circumstances, to each pool with small wells of settled production, an allowable production which will prevent a general premature abandonment of the wells in the field, but in no event less than twenty-five barrels per well per day. No rule, regulation or order of the commission shall be such that it will occasion a premature abandonment of any well or wells having a small settled production, or wells producing large quantities of water, and to prevent waste which would be caused thereby the commission shall by order permit production from such wells in an amount necessary for the economic operation thereof, and shall not restrict the production of stripper or marginal wells producing large quantities of water, when to do so would cause premature abandonment thereof.

Sec. 12. Whenever, to prevent waste, the total allowable production for any field or pool in the State is fixed by the commission in an amount less than that which the field or pool could produce if no restriction were imposed, the commission shall prorate or dis-

tribute the allowable production among the producers in the field or pool. Such proration or distribution shall be made on a reasonable basis. The rules, regulations or orders of the commission shall, so far as it is practicable, do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil and gas in the pool, and for this purpose to use his just and equitable share of the reservoir energy; provided, however, that no such proration or distribution of production shall be made on the basis of cubical content. In determining upon the limitation of production, the commission shall permit only seasonal and other reasonable withdrawals from or additions to stocks of oil in storage in this State.

The drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil and gas to the operator, and thus also unnecessarily increases the cost of the production to the ultimate consumer.

No owner of a property in a pool should be required by the commission, directly or indirectly, to drill more wells than are reasonably necessary to secure his proportionate part of the production. To avoid the drilling of unnecessary wells, a proration unit for each pool may be fixed, such being the area which may be efficiently and economically drained and developed by one well; provided, however, that in those pools, which, prior to the effective date of this act, have been developed to an extent of more than one well to each five acres of the pool (said wells to be considered an average regardless of where drilled) so that it would be impracticable or unreasonable to establish such a proration unit, the commission shall, after notice and hearing, distribute the allowable production for any such pool among the wells producing from such pool, only upon the basis of the relative potential of such wells; and in any such pool no rule, regulation or order of the commission shall be such in terms or effect as to prevent the owner of one tract within any such pool from drilling wells thereon to approximately the same well density as wells have theretofore been drilled upon adjacent tracts in the same pool.

The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste; but in such case,

the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in ratio of the area of such tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil and gas in the pool as above provided, so far as may be practicably recovered without waste. In the event such pooling is required, the costs of development and operation, of the pooled unit shall be limited to the lowest actual expenditures required for such purpose including a reasonable charge for supervision; and in case of any dispute as to such costs, the commission shall determine the proper costs.

Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the commission for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the commission, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the commission with respect to such pool; however, the commission, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to each well as fixed by the commission, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

Crude petroleum oil produced within the allowable as fixed by the commission shall herein be referred to as "legal oil," and crude petroleum oil produced in excess of such allowable shall be "illegal oil."

Sec. 13. The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil in whole or in part produced in excess of the amount allowed by any statute of this State, or by any provision of this act, or by any rule, regulation or order of the commission made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil."

The sale or purchase or acquisition, or the transportation, refining, processing, or the handling in any other way, of any product of crude petroleum oil, which product is derived in whole or in part from crude petroleum oil produced in whole or in part in excess of the amount allowed by any statute of this State, or by any provision of this act, or by any rule, regulation or order of the commission made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product" to distinguish it from "legal oil product."

Sec. 14. The commission is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, either generally or in particular areas, as may be necessary to make effective the prohibitions contained in section 13.

Unless and until the commission provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in section 13 when the person committing same knows that illegal oil or illegal oil product is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product where administrative provisions made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way, any crude petroleum oil or any product without complying with the rule, regulation, or order of the commission relating thereto.

Sec. 15. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the commission. The commission shall first give reasonable notice of such hearing (in no case less than ten days, except

in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the commission which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice; provided, however, that such emergency rule, regulation, or order shall be issued only with the unanimous consent of the commission. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

Sec. 16. The reports, estimates, findings of fact, or similar documents or findings of the United States Bureau of Mines, or of any other department or agency of the United States Government, made with respect to the reasonable market demand for crude petroleum oil, may be considered by the commission or by any court and taken as being prima facie correct.

Sec. 17. Any person or party in interest adversely affected by any statute of this State with respect to conservation of oil or gas or both, or by any provision of this act, or by any rule, regulation or order made by the commission thereunder, or by any act done or threatened thereunder, and who has exhausted his administrative remedy, may seek court review and relief by a suit for injunction against the commission as defendant or the members thereof by suit in the superior court of Los Angeles County, or in the superior court of the county where the plaintiff, or one of the plaintiffs, resides, or in the superior court of the county where any property adversely affected may be situated. Such suit shall have precedence over all other causes, proceedings or suits on the docket of a different nature, and the Attorney General may have the case set for trial after ten days' notice to the plaintiff or his attorney. In such trial, the burden of proof shall be upon the plaintiff. The statute, provision of this act, or the rule, regulation or order, complained of, shall be taken as prima facie valid, and such prima facies shall not be overcome, in connection with any application for injunctive relief, including temporary restraining order, by verified bill or by affidavit of, or in behalf of, the applicant.

Sec. 18. No temporary restraining order or injunction of any kind shall be granted against the commission or the members thereof, or against the Attorney General, or against any agent, employee or representative

of the commission, restraining the commission, or any of its members, or any of its agents, employees or representatives, or the Attorney General, from enforcing any statute of this State relating to conservation of oil and gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the members of the commission, and to all other defendants, and after a hearing.

Any such application for a temporary restraining order or injunction of any kind shall be heard by the court at the earliest practicable moment, and shall take precedence on the court's calendar over all matters except older matters of the same character and matters to which special precedence may be given by law.

Sec. 19. Whenever it shall appear that any person is violating, or threatening to violate, any statute of this State with respect to the conservation of oil or gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the commission, through the Attorney General, shall bring suit against such person in the superior court in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation.

In such suit the commission may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including, when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, and any or all such commodities may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

Sec. 20. No cause of action shall exist or arise against any person on account of anything done pursuant to or in reliance upon any provision of this act or any rule, regulation or order issued thereunder even though the same may be subsequently declared to be invalid. No person shall have a cause of action for damages against any person violating any of the provisions of this act or any rule, regulation or order issued thereunder except as in the last sentence of section 22 provided. In the event the commission should fail to bring suit to enjoin any actual or threatened violation of any statute of this State with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who notified the commission in writing of

such violation or threat thereof and has requested the commission to sue, may, to prevent any or further violation, bring suit for that purpose in the superior court of any county in which the commission could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the commission shall be made a party and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the commission had at all times been the complaining party.

Sec. 20.5. It shall be the duty of the commission to investigate and collect complete data with reference to present and potential production and the extent of oil and gas resources in the State; methods of drilling and production operations; methods of transportation of oil and gas and their products; methods of refining and of marketing and distributing oil and gas and their products; the extent and service given by existing pipeline and other oil and gas transportation facilities; prices at which oil and gas and their products are sold to consumers; and generally all facts and matters material to the conservation, and to the general public interest in the production, distribution and consumption of oil and gas and their products. For the purpose of further carrying out the general public policy set forth in section 1 of this act, the commission shall make a report to the Governor and to the Legislature of its findings material to the consideration of further legislation for carrying out said policy.

Sec. 21. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall intentionally make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the petroleum industry of such person as may be required by the commission under authority given in this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the State, or who shall mutilate, alter, or by any other means falsify, any book, record, or other paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder—shall be deemed guilty of a misdemeanor and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not

more than one thousand dollars (\$1,000), or imprisonment for a term of not more than one year, or to both such fine and imprisonment.

Any person who violates any provision of this act or any rule, regulation or order of the commission made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein be subject to a penalty of not to exceed five hundred dollars (\$500) a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the superior court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the superior court of the county where the violation took place. The place of suit shall be selected by the commission, and such suit, by direction of the commission, shall be instituted and conducted in the name of the commission by the Attorney General or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil into legal oil, or illegal oil product into legal oil product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal oil product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal oil product.

Any person aiding or abetting any other person in the violation of any statute of this State relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

Sec. 22. Apart from, and in addition to, any other remedy or procedure which may be available to the commission, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal oil product, all illegal oil and illegal oil product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this paragraph, that the owner of such illegal oil or illegal oil product is liable, or in some proceeding authorized by this act, such owner has already been held to be liable, for penalty for having produced such illegal oil, or for having purchased or acquired such illegal oil or illegal oil product. Whenever the commission believes the illegal oil or illegal oil product is subject to seizure and sale, as provided herein, it shall, through the

Attorney General, bring a civil action in rem for that purpose in the superior court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or penalty relating to any prohibited transaction involving such illegal oil or illegal oil product. Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

Whenever the pleading with respect to the forfeiture of illegal oil or illegal oil product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the general fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal oil product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal oil product, against the person whose act resulted in such forfeiture.

Sec. 23. Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to wit:

(a) "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

(b) "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which is

is completely separated from any other zone in the structure, is covered by the word "pool" as used herein.

(c) "Field" means the general area which overlaid or appears to be overlaid by at least one pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" mean the same thing when only one underground reservoir is involved; however, "field" unlike "pool" may relate to two or more pools.

(d) "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

(e) "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

(f) "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

Sec. 24. There shall be imposed upon the persons, firms, corporations or associations operating each petroleum or gas well in this State or owning royalty or other interests in respect to the production from such wells, in addition to the charges levied, assessed and collected under the provisions of Chapter 1 of Division III of the Public Resources Code, for the support and maintenance of the division of the Department of Natural Resources charged with the supervision of petroleum and gas, charges for the support and maintenance of the Oil Conservation Commission. Such charges when collected shall be paid to the State Treasurer and by him converted into a fund designated as the oil conservation fund, which fund is hereby created. Such fund, or as much thereof as may be necessary, is hereby appropriated to the Oil Conservation Commission, to be by it expended in the enforcement of this act.

The Oil Conservation Commission shall annually on or before the first Monday in March, acting in conjunction with the Department of Finance, make an estimate of the amount of money which shall be required to carry out the provisions of this act. At the time of making such estimate, the Oil Conservation Commission shall report to the Department of Finance the amount of money in the oil conservation fund on the day such estimate is made, less the amount of money necessary for the support of the Oil Con-

servation Commission for the remainder of the fiscal year, and the amount of such estimate shall in no event exceed the difference between the amount thus determined as remaining in the oil conservation fund at the end of the fiscal year and the sum of \$500,000. Such additional charge shall be levied, assessed and collected at the same time and in the same manner as charges for the petroleum and gas fund are levied, assessed and collected under the provisions of said Chapter 1 of Division III of the Public Resources Code. Assessments under the provisions of this act shall be as of the first Monday in March and the reports of petroleum production and sales of gas herein provided to be assessed shall be reported for the calendar year. The lands herein provided to be assessed and charged shall be assessed to the owners thereof as of the first Monday in March.

The Department of Natural Resources is hereby charged with the same duties with respect to the oil conservation fund created by this act as it is with regard to the petroleum and gas fund under said chapter. Except as herein expressly otherwise provided, all the provisions of said chapter relative to said petroleum and gas fund shall apply to the provisions of this act relative to the oil conservation fund.

Sec. 25. For the period between the date this act becomes effective and June 30, 1940, the foregoing provisions of section 25 shall apply to the levy, assessment and collection of the charges imposed by this act except as in this section provided.

Within ten days after this act takes effect the Oil Conservation Commission, acting in conjunction with the Department of Finance, shall make an estimate of the amount of money which shall be required to carry out the provisions of this act until June 30, 1940, and at the same time determine the rate or rates which will produce said sum and shall extend into the proper column of the record of assessments the amount of charges due from each person for such period. The first assessment under the provisions of this act shall be as of the first Monday in March, 1939. The lands herein provided to be assessed and charged shall be assessed for the fiscal year ending June 30, 1940, to the owners thereof as of the first Monday in March, 1939. The time specified in section 3414 of the Public Resources Code shall be between the 14th and 26th days after this act takes effect; the time specified in section 3415 of said code shall be the 26th day after this act takes effect; the time specified in section 3416 of said code shall be the 14th day after this act takes effect; the time specified in sections 3417 and 3419 of said code shall be the 26th day after this act takes effect; the times specified in section 3420 of said code shall be the 26th, 56th, and 86th

days, respectively, after this act takes effect; the times specified in section 3422 of said code shall be the 26th, 56th, and 86th days, respectively, after this act takes effect; the time specified in section 3423 of said code shall be the 11th day after this act takes effect; the time specified in section 3426 of said code shall be the 116th day after this act takes effect; the time specified in section 3430 of said code shall be the 70th day after this act takes effect.

Sec. 26. The commission is hereby authorized to employ such employees and agents as may be necessary to enforce the provisions of this act. Scientific and professional employees of the commission shall be selected upon the basis of their scientific and professional qualifications. All such employees shall be subject to the provisions of the civil service laws. The commission shall appoint and fix the qualifications and salary of its secretary. It shall be the duty of the secretary to keep a full and true record of all proceedings of the commission, to issue all necessary process, writs, warrants and notices, and to perform such other duties as the commission may prescribe. The administrative officer and all employees designated by him shall have power, at the direction of the commission, to administer oaths, certify to all official acts, and issue subpoenas for the attendance of witnesses and the production of papers, books, accounts, documents, testimony in any inquiry, investigation, hearing,

or proceeding in any part of the State. Subject to the approval of the commission, the administrative officer shall supervise and direct the work and staff of the commission and perform such other duties as the commission may direct.

Sec. 27. If any part or parts of this act be held to be unconstitutional, such unconstitutionality shall not affect the validity of the remaining portions of this act. The Legislature hereby declares that it would have passed the remaining parts of this act if it had known that such part or parts thereof would be declared unconstitutional.

Sec. 28. This act shall be liberally construed to meet its purposes and the commission shall have all the powers which may be necessary or appropriate to carry out the provisions of this act.

This act shall not be construed to repeal any of the provisions of Division III of the Public Resources Code.

Nothing in this act shall be construed to confer on the Oil Conservation Commission any jurisdiction or authority over any matters now under the State Oil and Gas Supervisor or the Director of Natural Resources, or to supersede or modify any law vesting any power or authority in said officers.

Sec. 29. The period prescribed for the commencement of any prosecution or action under this act shall be one year from the date on which the cause of action arises.